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- A: Ten Minutes on Economics. You will hear a commentary by Imre Komives entitled "The crisis in the Near East and Hungary's economic relations".
- N: Arms are silent in the Near East and the diplomats have taken the further developments of events into their hands. I believe that at the moment no one can tell what results this is going to have. One thing is certain, namely that in this diplomatic battle the Soviet Union has declared itself almost without reservations for the Arab world and against Israel. The heads of the Eastern European countries, with the exception of Rumania, have followed the Soviet example loyally and they too declared themselves for Nasser. As the first step Hungary has broken off its diplomatic relations with Israel. Today it is not to be seen clearly whether this will be followed by further steps, either active support for the Arab states or an action against Israel.

It is certain that beside military and power-political reasons the SU and the countries following its example were induced to join with the Arab countries because of economic relations and economic interests. It is a different question whether in this case (the interests) are genuine or just assumed. It would go too far and it would extend beyond the framework of a brief commentary to discuss such complicated problems in detail. Let us just take the question of economic relations between Hungary and the Arab countries.

Of the Arab countries let us mention the UAR which played the leading role in the entire Near Eastern crisis, or which would at least have liked to play it, if the surprising and effective performance of the Israeli army had not caused its intentions to fail. Hungary, just as the other countries under Communist rule, are connected with the UAR by strong economic ties growing stronger every year. In 1960 the value of trade between the two countries was just 190 million currency forinths; last year this exceeded 300 million. The visit of a delegation headed by Gyula Kallai to Egypt-as a result of which several important economic contracts between the two countries were agreed-

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have new impetus to the economic relations between the two countries. The representatives of Hungary and the UAR signed a long-range trade agreement and an economic cooperation agreement, a technical and scientific cooperation- and a tourist agreement. However, the most important contract was left out of the enumeration published in NEPSZABADSAG and in other Hungarian news organs. Egyptian and, later, Western news sources did mention it however, namely that Hungary gave Egypt 42 million dollars credit to Egypt for the purchase of various goods. Earlier already in 1962, Hungary gave the UAR dollar credits which were considerable considering its economic resources. These credits made it possible that Hungary could increase its deliveries considerably. Egypt's growing industry needs all kinds of goods. Hungary is delivering in the first place machines, and heavy industry equipment to Egypt. Here is one glance at the official list of goods: In 1965 - besides many other things - Hungary delivered to Egypt 24 thousand tons of rolled steel, diesel engine spare parts in the value of almost 7 million currency forints, 5 complete motor trains, more than 3 thousand trucks and lots of other goods. In 1966 the pace of Hungarian goods' consignments increased further and the list of goods was also extended. The UAR ordered 20 more modern motor trains, 130 river barges and much other equipment from Hungary. Now the chance to increase the choice and the quantity of goods coming from Egypt is far smaller. Cotton constitutes almost half of the list of goods, just as years ago. Besides, less important agricultural products figure on the list of goods delivered by the Arab countries, for example peanuts, volatile oil, medical herbs, vegetal fibres, oil-meal, glycerin, textiles, shoes and some more goods. Naturally the value of these goods does not cover that of the goods sent from Hungary. This is why Hungary was forced to contribute to the support of Egyptian economy with considerable credits. There is little hope for improvement in this respect, Egypt's economy seems unable to cope with the difficulties which the transition to Socialist-type planned economy has increased further. The expert of the NEUE ZURCHER ZEITUNG writes characteristically about this difficult situation of Egypt: I quote from the June 8th issue of the paper: "The weeks and months before the outbreak of the Near Eastern crisis were characterized by a kind of muted and hazy, partly distrustful and partly reserved atmosphere in the Egyptian capital. All this was the projection of the extremely tense situation; a far-reaching inability to pay in foreign trade, a deficit in trade and payments growing alarmingly, difficulties in industrial production, low productivity, the poor quality of goods produced the poor position in international competition, a policy of investments

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which was very doubtful in many cases, growing inflation in spite of price controls, the uncertain situation of public supplies, low employment rates in spite of the permanent stressing of the socialist right to work, a hopelessly predominating and rather corrupt body of officials, the plan apparatus constantly creaking in its joints - these are the chief "achievements" and characteristics of the present economic situation in Egypt - writes the expert of the prominent Swiss paper. The fact that the leaders of the country used the bulk of the material support which the country has received for military equipment did not improve the country's financial situation and the grave military failure during the present crisis showed the very doubtful value of this over-praised military apparatus. Now the Soviet Union commits everything in its power on the diplomatic level to maintain and strengthen its position in the Arab countries at the expense of the West. There is absolutely no doubt that this will mean new material sacrifice for the Soviet Union. There can be no doubt either, that the SU will open not only its own pockets, but that it will also reach into the pockets of the satellite countries. It would not be surprising if Hungary, too, would have to renounce the claim for its earlier 42 million dollars and if it even had to add new goods credits and loans to this in the hope of a very doubtful result indeed. The Arab countries rich in oil are in a far more favorable financial situation of course. It is another question again what financial sacrifices the oil embargo dictated by Egypt will demand not of the countries hit with the blockade but of the Arab countries which practically have oil as their only source of income. Will the Communist countries perhaps have to cover the damages resulting from this embargo too?

Tumming it all up, it would be a wiser policy for economic considerations as well if a small and poor country like Hungary did not pledge itself too much to parties from which it can expect no material advantages whatsoever only further sacrifices (for itself.) And, after all, why and for whom? This time again Rumania is acting more wisely, coolly and more in its own interest when it tries cautiously to avoid to condemn Israel fighting for its existence or to support the Arab plans which often lack any kind of realism. For this it can still be a good partner and friend of the great Arab people just as of small Israel.

A: CLOSING ANNOUNCEMENT